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TITLE: Carbon tax: for Abbott it's appalling policy or appalling hypocrisy

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A rather small convoy of constitutional confusion today rolled into Canberra calling for a double-dissolution election. The impending carbon price, the ban on live exports and the imminent threat of one world government were all cited by participants as motivating their demands.

But no matter how sincere their confused calls for a double-dissolution election, they have as much chance of getting what they want as Tony Abbott has of rolling back the carbon price before 2015. None.

While the timing of the next lower house election is up to the Prime Minister, the Governor-General and possibly Craig Thomson, the timing of the next half Senate election is not. The Constitution gives us fixed terms for the Senate and very specific criteria for double-dissolution elections. The conservatives may have abandoned their preference for market forces under Abbott, but surely not even they are now suggesting we need a new Constitution?

The problem for those who believe Abbott's promise to roll back the carbon price is that even if the Coalition wins a majority of votes in the lower house at the next federal election they will need to pass legislation through both houses of parliament to do so. It is highly unlikely that they will control a majority of votes in the Senate.

Of course if the Senate twice rejects the hypothetical Abbott government's plan, then the Coalition might seek a double-dissolution election. Under such circumstances the Constitution provides for the simultaneous election of all senators and members of the House of Representatives. After such an election a joint sitting of parliament then votes on the issue at hand, possibly resulting in the repeal of the carbon price and the introduction of the so-called "Direct Action Plan".

But the Constitution is designed as a hand brake to slow any undue haste towards such an approach to governing. Even if Abbott won a late 2013 election he would need to wait until the new senators took office in July 2014 before he could introduce legislation that he could subsequently use as his double dissolution trigger.

The Senate would of course be entitled to inquire into such legislation before voting on it. Indeed, if rollback legislation was rejected by the Senate and the House of Representatives waited the constitutionally defined three months before sending it back to the Senate, the senators would be entitled to inquire into it again before voting it down for the second time. Only then could a double dissolution election be held.

So even if Abbott wins a 2013 election it would likely be mid-2015 before any carbon price legislation could potentially pass a joint sitting of both houses. It is therefore unlikely that the proposed Direct Action scheme could start before 2016.

During this whole period from 2012 when the carbon price starts to 2016 when it might possibly be repealed business will be faced with continued uncertainty. This uncertainty has real costs associated with it. These costs are particularly high in emission intensive industries such a power generation.

The Investor Group on Climate Change recently commissioned a report from SKM/MMA to analyse what would happen if a carbon price was introduced in 2016 rather than 2012. The report found that such a delay would push up the price of electricity and reduce the competitiveness of the same businesses the Coalition says it is so concerned with.

In particular the SKM/MMA report found that uncertainty and delayed investment in new generation capacity would add an additional \$2 billion in costs and increase electricity prices by 20%. This is why electricity generators are desperate to hedge their carbon price liability by buying future carbon permits now. They want to end this uncertainty.

It gets worse though. In addition to uncertainty about the carbon price the Coalition's proposed Direct Action Plan creates a whole new set of uncertainties as well. Only with some truly heroic assumptions will it be possible for it to reach its planned 5% cut by 2020. Even the Coalition admits it can't meet any target beyond 2020.

Indeed in December 2010 the Opposition environment spokesman Greg Hunt said that the Coalition would use its Direct Action Plan to reduce emissions in the "first instance" but after 2015 left open the possibility of a carbon price.

Let's recap. The government is proposing to introduce a carbon price in 2012, which, the Coalition says, it will rescind if it is elected in 2013. But given the likely composition of the Senate it will probably take the Coalition until at least 2015 to pass rollback legislation through both houses. By the time its Direct Action Plan is actually "directly acting" it is likely to be about 2017, but the Coalition has said that by 2020 we might need to embrace a carbon price.

Before exiting parliament former Senator Nick Minchin urged his colleagues to put good policy ahead of short-term politics but Abbott slapped him down. Abbott's determination to exploit concern with the carbon price provides a good example of what the former Liberal heavyweight was worried about.

The Rudd and Gillard governments have handled the introduction of a carbon price poorly, to say the least. But Abbott's determination to exploit the political advantage of this situation is leading the Liberal Party to drink from the poisoned well of short-term populism. It is the Opposition's job to hold the government to account, but it is not obliged to commit the country to another decade of uncertainty.

A cynic might argue that Abbott doesn't really intend to roll back the carbon price and introduce his Direct Action Plan. But that would make him guilty of the same crime of which he accuses Julia Gillard, saying one thing before the election and doing something else afterwards.

Either way, at present it seems that if Tony Abbott wins the next election we will either introduce appalling policy or witness appalling hypocrisy. Let's hope some cooler heads prevail in the Coalition so that we don't have to witness either.

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